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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

November 24, 1998

Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W., Suite TW-A325
Washington, DC 20554

EX PARTE OR LATE FILED

Re: Ex Parte Filing in CC Docket No. 98-147

Dear Ms. Salas:

On November 23, 1998, and November 24, 1998, Kevin Cameron, Deputy General Counsel of NorthPoint Communications, Inc., and I met with FCC staff to discuss issues outlined in the attached presentation. This presentation reflects NorthPoint's views on issues raised in the Advanced Wireline Services proceeding. We met with the following people: Bill Rogerson, Pat DeGraba, Don Stockdale, Johnson Garrett, Jonathan Askin, Robert Pepper, Stagg Newman, Jennifer Fabian, Jordan Goldstein, Jane Jackson, Rich Cameron, Tom Krattenmaker, and Doug Sicker.

Sincerely yours,



Ruth Milkman
Counsel to NorthPoint

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NorthPoint Communications, Inc.

Section 706 Advanced Services

November 24, 1998

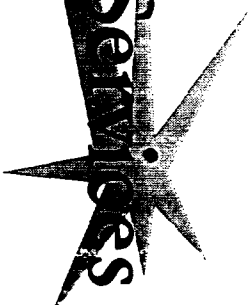


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Price Squeeze is Significant

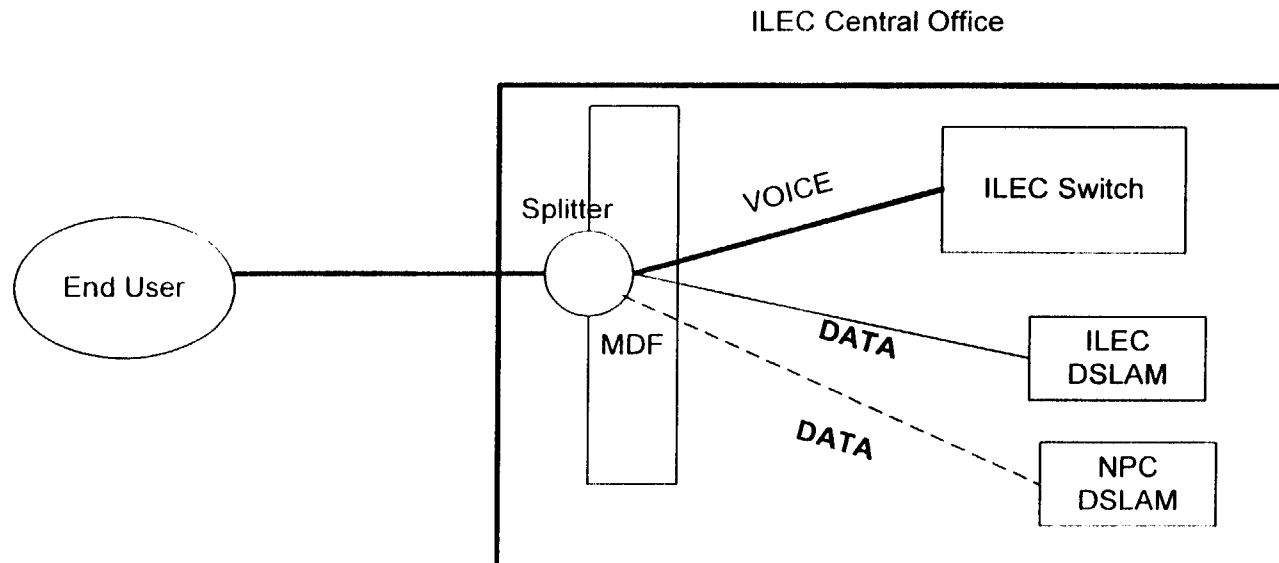
- Recent ILEC DSL charges threaten to kill facilities-based residential service competition through “Price Squeeze”
 - Total ILEC DSL charges as low as \$40/mo. are LESS than ILEC charges to CLECs for DSL “piece parts” (i.e., loops and collocation)
 - ILEC ADSL tariffs do not reflect any loop, collocation or OSS charges
- CLECs lose money matching ILEC prices BEFORE they recover cost of their networks, overhead and profit
 - Loop-specific costs (nrc and mrc) plus average collocation costs (recovered over three years) exceed 100% of \$40 price point in each of NorthPoint’s first states except Illinois (CA, MA, NY, DC, MI, GA, TX, FL, WA, PA, AR, CO, OR, MN, MO, NC, & MD)
 - Loop and collocation piece-parts are 182 % of \$40 price point in Florida

Price Squeeze: Solutions

- 1) Separate subsidiary is a solution when ILEC purchases loops, collocation, and OSS access at arm's length
- 2) FCC should adopt three-part solution for ILECs who reject separate subsidiary option:
 - ILEC must provide parity as to one-loop products
 - If ILEC splits off and carries voice traffic for itself, it must split off and carry voice traffic for CLECs under same terms and conditions
 - ILEC must impute the loop, collocation and OSS charges imposed on CLECs
 - ILEC must tariff xDSL at a wholesale discount
- 3) FCC should consider joint conference with states on DSL Wholesale UNE Prices
 - Public interest requires reduction of dramatic cost disparities across states (\$2 - \$41 Loops; \$10,000 - \$300,000 Collocation Cages)

One Loop Product Parity

- ILEC Keeps Voice and “Splits-Off” Data to CLEC on Same Terms and Conditions it Does For Itself
- Advantages:
 - No Service Disruption
 - Zero Additional Loop Cost
 - Change is Transparent to End User



ILEC Objections to Parity Arrangement are Misplaced

■ No real question of “technical feasibility”

- Participants at the FCC’s technical conference unanimously agreed a parity arrangement is technically feasible
- If ILEC can split-off data traffic and deliver it to an ILEC DSLAM, it also can deliver it to a CLEC DSLAM

■ No real question of “operational feasibility”

- Vague ILEC assertions are misplaced
 - No Unique Billing Issues
 - No Unique Maintenance Issues
 - If the ILEC runs a line test on the line, it should simply alert the end-user (which it would do anyway); ILEC and CLEC can negotiate mutually satisfactory arrangements to govern various contingencies

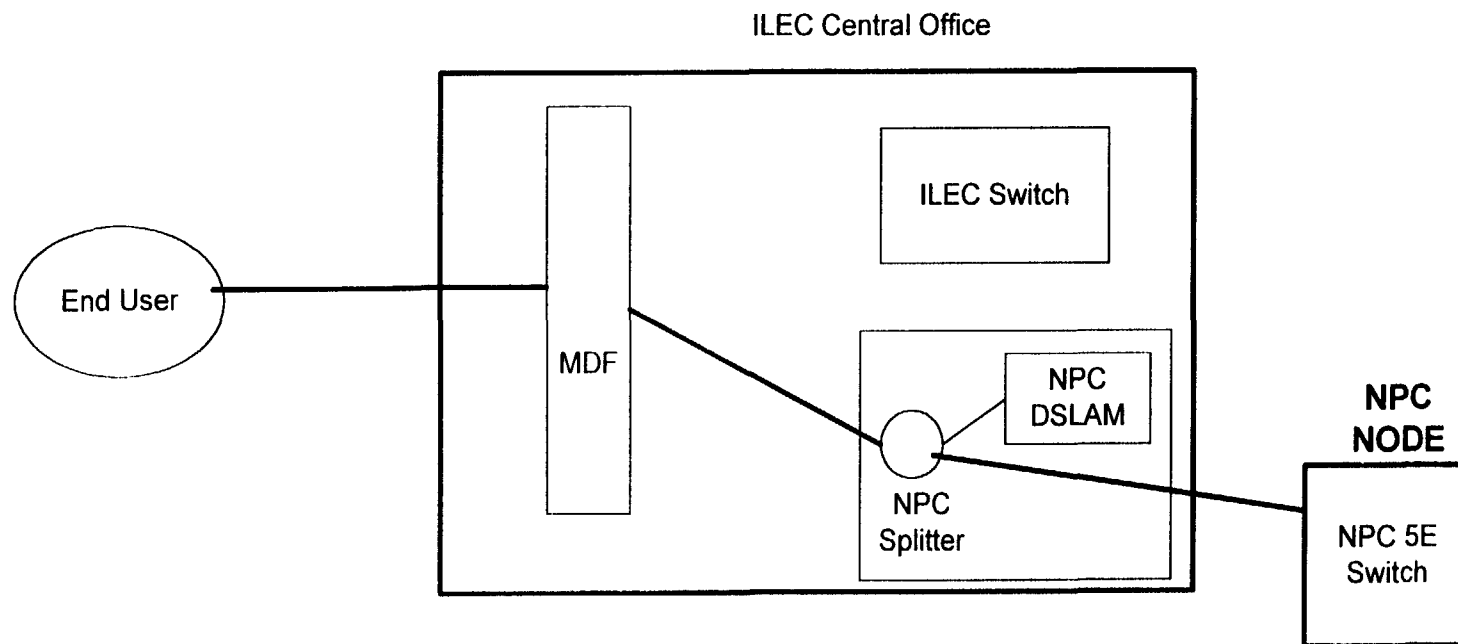
FCC Has Ample Authority to Order Spectrum Unbundling

- FCC has authority to order spectrum unbundling under §§ 251(c)(3) and 251(d)(2) of the Act
- Satisfies the three-part test (Local Intercon. Order ¶¶273- 83)
 - Technically feasible
 - Requires a simple splitter and is already performed by the ILECs for their own ADSL service
 - No proprietary information
 - Access to a one-loop product is required in order to compete
 - Facilities-based CLECs will be unable to compete effectively in the residential market if they are forced to purchase a second loop when doing business with CLECs

Undesirable Alternative 1: Voice Traffic Sent to NorthPoint 5E Switch

■ Disadvantage:

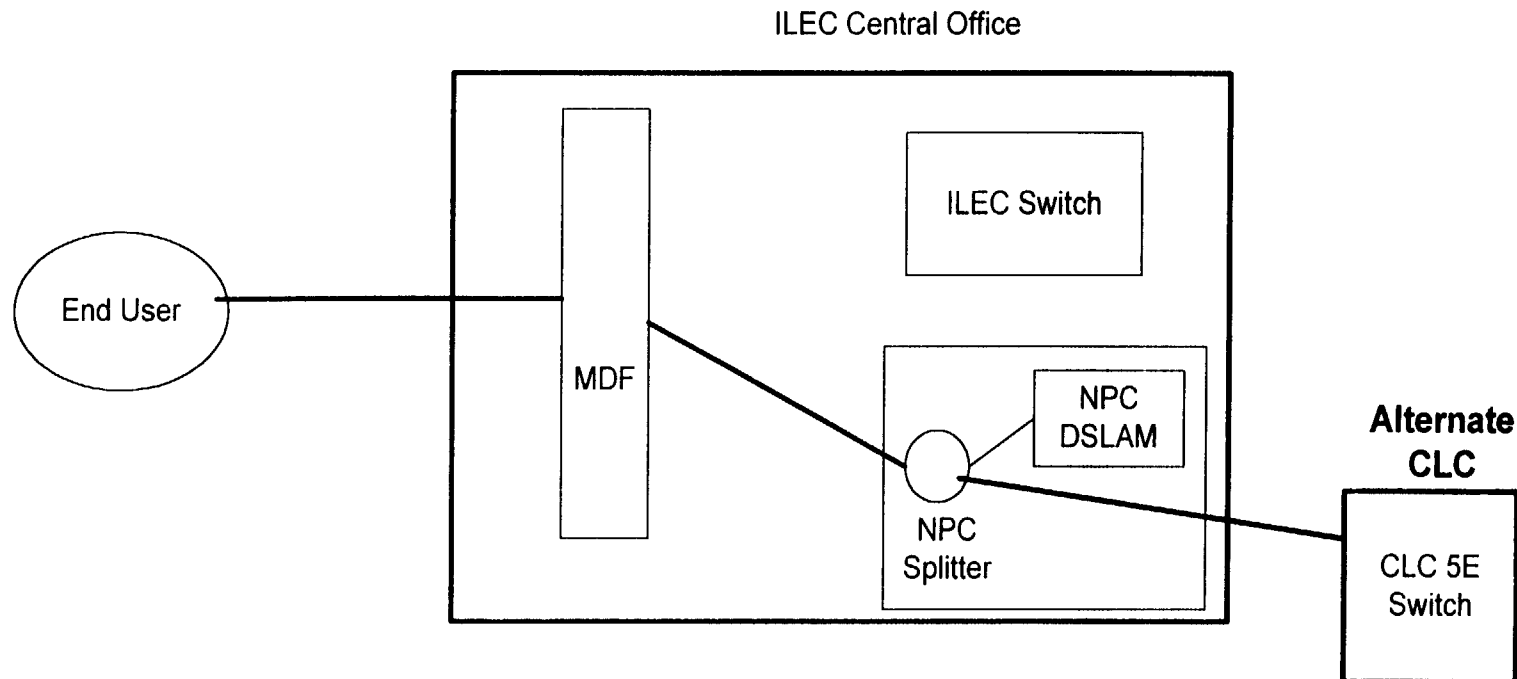
- Money and Focus to Build Voice Business will Dramatically Limit Broadband Deployment



Undesirable Alternative 2: Voice Traffic Sent to Alternate CLC

■ Disadvantages:

- End User Needs to Purchase Alternate Voice Service; Hot-Cut/Service Disruption Required; No Willing/Able CLECs (especially in residential areas)

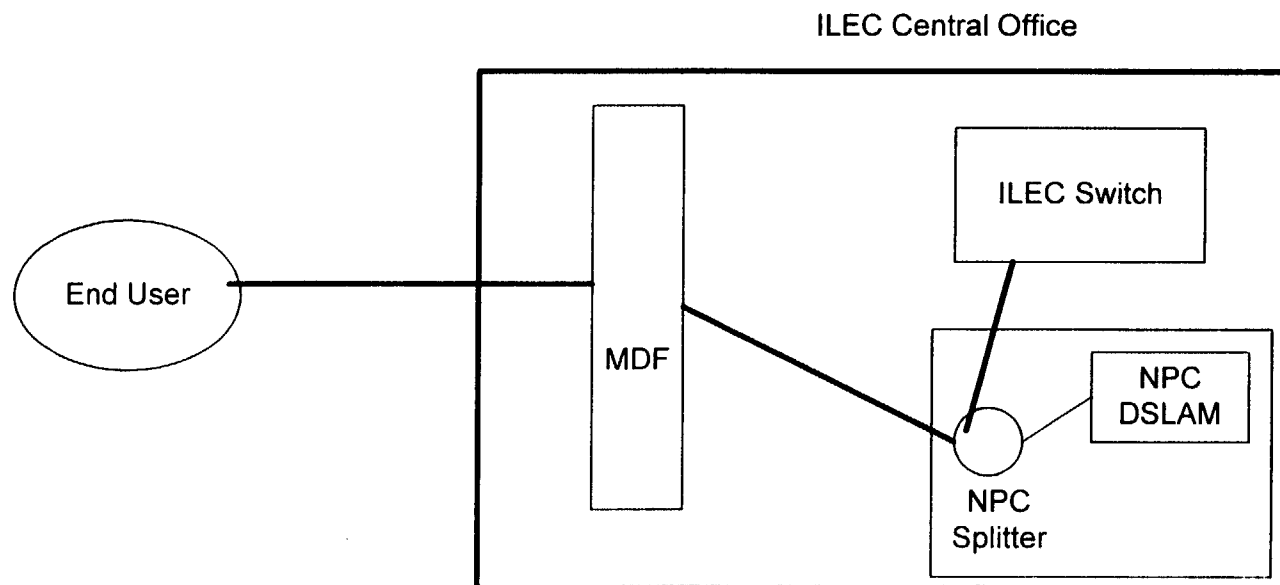


Undesirable Alternative 3:

Voice Traffic Sent to ILEC Via Unbundled Switching and Transport

■ Disadvantages:

- Significant Unbundled Switch & Transport Costs; Imposes Myriad of Unbundled Voice Requirements (e.g. OA & DA); Much Less Efficient than Parity Solution



Spectrum Interference: Status

- NorthPoint is selling symmetric SDSL service at 1.04Mbps and 1.54Mbps in seven states
- SBC has prohibited NorthPoint from deploying SDSL at speeds greater than 784 Kbps in Texas
 - Letter threatens to remove NorthPoint's collocated equipment
 - In California, SBC is threatening to adopt a similar position
 - Changing justifications include absence of ANSI standard and fact that SDSL above 784, like other ANSI-approved technologies, can interfere with SBC's ADSL product

Spectrum Interference: Issue

- NorthPoint and SBC agree that SDSL standard should be established for >784kbps
 - Rockwell to submit proposed standard at next ANSI meeting
- NorthPoint and SBC agree that HDLS2 standards work should be accelerated
- Sole issue is whether public interest benefits of continuing SDSL >784kbps deployment (while standards are finalized) exceed limited interference risk

Public interest benefits in continued SDSL deployment above 784 kbps greatly outweigh risks

- **Significant public interest costs if SDSL above 784 kbps is shut-down pending standards review**
 - Prohibition of SDSL >784 kbps would dramatically reduce consumer access to high-speed symmetric advanced service
 - SBC ADSL limited to 384 kbps upstream in California; Limited SBC trials in Texas
 - Symmetric SDSL >784 is small business' only T-1 replacement
- **Very limited interference risk for continued SDSL deployment**
 - SDSL is well tested
 - SDSL standards set by ANSI (at 784kbps), ETSI (to 1.168 Mbps)
 - Rockwell studies demonstrate little interference at 1.04Mbps
 - SDSL >784kbps SIGNIFICANTLY less interfering to ADSL than AMI T-1
 - Yet SBC continues to deploy thousands of AMI T-1s each month

Spectrum Interference: Solution

- Order ILECs to allow continued SDSL deployment on interim basis
 - Ample technical data exists for FCC to conclude that SBC lacks any legitimate public interest claim in halting deployment of SDSL technology demonstrably less interfering than AMI T-1
 - FCC has long history of denying arbitrary ILEC network damage concerns dating back to Carterphone
 - Standards bodies close to HDSL-2 standard; SDSL will soon be submitted; Short-term issue
 - Interim SDSL deployment will increase consumer choices without significant interference

Digital Loop Carriers

- Solution required for 10-40% of loops served by DLCs
- ILECs must look for alternate copper when CLECs seek to serve customers served by DLCs
 - Existing copper-served customers should be switched to DLCs to free up the copper loop for advanced services
 - ILECs should do cross-box to cross-box cross-connects
 - works more than 90% of the time in California
- IDSL (144kbps) a solution for some DLC-served customers; ILECs must provide loops by demultiplexing IDLCs
- ILECs should be required to allow collocation at the DLC
 - collo adjacent to DLC with CLEC access to ILEC rights of way
 - Commission should require line card collocation

Digital Loop Requirements

■ To fully support digital service, loop must:

- Have no restrictions on use (subject to spectrum compatibility)
- Have no restriction on length (subject to spectrum compatibility)
- Have no more than 2500 feet of bridge taps, as set forth in the ISDN standard
- Have no load coils or repeaters
- Have no electronics or digital loop carriers